

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA	:	CRIMINAL NO.	98-603
v.	:	DATE FILED:	_____
ARTHUR TOLL	:	VIOLATIONS:	Conspiracy (18 U.S.C. §371 - 1 Count)
BRUCE EDMONDSON	:		Securities Fraud (15 U.S.C. § 78j(b), 78ff(a) - 1 Count)
			False Statements to Auditors (15 U.S.C. § 78m(b)(2) and (5), 78ff(a) - 1 Count)
			Mail Fraud (18 U.S.C. § 1341 - 4 Counts)
			Wire Fraud (18 U.S.C. § 1343 - 5 Counts)
			Aiding and Abetting (18 U.S.C. § 2)

S U P E R S E D I N G I N D I C T M E N T

COUNT ONE
(Conspiracy - 18 U.S.C. § 371)

THE GRAND JURY CHARGES THAT:

At all times relevant to this indictment:

The Defendants

1. The defendant ARTHUR TOLL (“TOLL”) was Chief Executive Officer (“CEO), President, Chairman of the Board of Directors, and majority stockholder of Regal Communications Corporation (“Regal”), a public company engaged in television infomercial marketing and pay-per-call “900” line services.

2. The defendant BRUCE EDMONDSON (“EDMONDSON”) was Regal’s Chief Financial Officer, Executive Vice President, and a member of the Board of Directors and its audit committee. EDMONDSON is a certified public accountant.

3. Defendants TOLL and EDMONDSON directed and controlled the management and operations of Regal.

Relevant Entities and Individuals

4. Elliot Fisher was Regal’s corporate secretary, in-house counsel, and a member of the Board of Directors and its Audit Committee. Fisher is an attorney.

5. Gerald Levinson was a member of Regal’s Board of Directors and its Audit Committee.

6. Regal Communications Corporation (“Regal”) was a New Jersey corporation located in Fort Washington, Pennsylvania. Regal was a holding company for subsidiaries, including Regalfone, Inc. (“Regalfone”) and Regal Group, Inc. (“Regal Group”). Regal and its subsidiaries filed consolidated financial statements. Regal’s common stock was registered with the United States Securities and Exchange Commission (“SEC”) and was traded on the NASDAQ, a national securities exchange. Regal and its subsidiaries filed for Chapter 11 bankruptcy protection on September 23, 1994. Regal and its subsidiaries today are defunct entities.

7. Regalfone was a Pennsylvania corporation, founded in 1987 by defendant TOLL as FP Corporation. It became a subsidiary of Regal on October 1,

1989. Regalfone developed and marketed information and entertainment phone programs for the consumer market, also known as pay-per-call 900 lines. These services are referred to in the telecommunications industry as “audiotex services” and companies which develop the programs are referred to as “information providers.” The audiotex products offered by Regalfone included passive and interactive recorded and live programs offered on a national basis. Regalfone’s passive recording programs include sports scores and information, lottery results, horoscope information, and electronic dating. Regalfone’s interactive recorded programs, which required callers to use touch-tone telephones to interact with computers and voice equipment, included specific stock reports, insurance quotes, and real estate listings. Regalfone’s live programs consisted of psychic, astrology and horoscope programs, and sex talk lines. Regalfone at times contracted with audiotex service bureaus to provide the telecommunications equipment and the personnel to talk with the consumers calling its live program lines.

8. Regalfone was one of the nation’s largest providers of telephone audiotex services and information programming.

9. Regal Group was a Delaware corporation formerly known as Synchronal Group, Inc. until it was acquired by Regal on September 30, 1991 and became a subsidiary of Regal. Regal Group developed and marketed its own products, as well as those of clients, through program-length television advertisements (known as infomercials) that it broadcast over cable and broadcast television. Regal Group was

located in New York, Connecticut and at Regal's Fort Washington, Pennsylvania headquarters.

10. Clark Advertising, Inc. ("Clark") was a Pennsylvania corporation, located on Camp Hill Road in Fort Washington, Pennsylvania. Clark was privately owned by defendants TOLL and EDMONDSON, and performed media placement services for Regalfone's 900 line business. Defendants TOLL and EDMONDSON reported and caused others to report to the public that Clark was sold in October, 1992 to an independent group of investors, when, in truth and fact, defendants TOLL and EDMONDSON continued to secretly control and own Clark.

11. Gateway Telecommunications Corporation ("Gateway") was a Pennsylvania corporation, privately owned by defendants TOLL and EDMONDSON. Gateway was first located in Philadelphia and later in Fort Washington, Pennsylvania at Regal's headquarters. Gateway was an audiotex service bureau for Regalfone's 900 line business. It was reported in Regal's public filings that Gateway ceased doing business with Regal and its subsidiaries in November, 1991 when Gateway sold its equipment to Regal.

12. National Audiotex was a Florida corporation, privately owned by defendant EDMONDSON and controlled by both defendants TOLL and EDMONDSON. National Audiotex was located in Tampa, Florida and operated as an audiotex service bureau for Regalfone's 900 line business from April, 1991 until it was shut down on June 18, 1993 by defendant TOLL.

13. TEL Entertainment, Inc. (“TEL”) was a Pennsylvania corporation privately owned by defendant TOLL, defendant EDMONDSON and Gerald Levinson. TEL operated a video rental store which was located in Maple Glen, Pennsylvania.

14. Ernst & Young (“E&Y”) was an accounting firm with offices in New York City, New York, among other locations. E&Y was retained by Regal as its independent public accountant to review and certify the quarterly financial statements, and to audit and certify the annual financial statements of Regal for the fiscal year ending September 30, 1992. E&Y also provided services in connection with Regal’s 1993 acquisitions and \$35 million dollar debenture offering.

15. Coopers & Lybrand (today known as “PricewaterhouseCoopers”) was an accounting firm with offices in Philadelphia, Pennsylvania, among other locations. Coopers & Lybrand was retained by Regal as its independent public accountant to audit and certify the annual financial statements of Regal for fiscal year ending September 30, 1993.

Relevant SEC Public Filings

16. From on or about July 9, 1992 through on or about August, 1993, Regal made a number of required filings with the SEC, which were made available to the investing public. These public filings included one annual report and two amendments to that report for the fiscal year ending September 30, 1992 (“Fiscal Year 1992 Annual Report”), and three quarterly reports and two amended quarterly

reports for portions of the fiscal year ending September 30, 1993 (“Fiscal Year 1993 Quarterly Reports”), and twelve registration statements and amendments (collectively, the “Registration Statements”).

Regal’s Securities Transactions

17. From on or about July 7, 1992 until on or about April 19, 1994, Regal’s common stock, which was listed with the NASD, was publicly traded over the NASDAQ system.

18. On the dates listed below, the defendants TOLL and EDMONDSON and Fisher caused Regal to offer and sell securities through the following transactions:

- a. In or about April, 1992, Regal completed a private placement offering of units (consisting of stocks and warrants) which allowed Regal to raise over \$4 million from 52 investors;
- b. On or about March 1, 1993, Regal acquired two marketing companies, Joan Rivers Products, Inc. and Melissasmom, Inc. from celebrity Joan Rivers for 2,700,000 shares of Regal stock, which at that time had a market value of approximately \$15 million;
- c. On or about June 15, 1993, Regal obtained approximately \$35 million through the sale to the public of debentures (written acknowledgments of debt with a promise to pay);

- d. On or about September 30, 1993, Regal acquired infomercial producer Inphomation, Inc., best known as the producer of “Dionne Warwick’s Psychic Friends’ Network,” for \$10 million in cash, a \$5 million dollar note and 4,459,000 shares of Regal stock, which at that time had a market value of approximately \$20.6 million .

THE CONSPIRACY

19. From in or about 1991 through on or about April 19, 1994, in the Eastern District of Pennsylvania, and elsewhere, the defendants

ARTHUR TOLL, and
BRUCE EDMONDSON,

and Elliot Fisher and others known and unknown to the Grand Jury, did knowingly conspire and agree together and with each other to commit offenses against the United States, that is,

- (1) to commit securities fraud in violation of Section 78j(b) and 78ff of Title 15, United States Code, and Title 17, Code of Federal Regulations, Section 240.10b-5; and
- (2) to make false and misleading statements to auditors, in violation of Title 15, United States Code, Sections 78m(b) and 78ff and Title 17, Code of Federal Regulations, Section 240.13b2-2.

20. As part of the first object of the conspiracy (that is, committing securities fraud), the defendants TOLL and EDMONDSON and Fisher, and others

known and unknown to the Grand Jury, unlawfully, willfully, and knowingly, by the use and the means and instrumentalities of interstate commerce and of the mails and of the facilities of NASDAQ, directly and indirectly, used and employed in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances in violation of Rule 10b-5 (17 C.F.R. § 240.10b-5) of the Rules and Regulations promulgated by the United States Securities and Exchange Commission, by

- (a) employing devices, schemes and artifices to defraud,
- (b) making untrue statements of material facts and omitting to state material facts necessary in order to make those statements not misleading, in light of circumstances under which they were made, and
- (c) engaging in acts, practices and courses of business that operated and would operate as a fraud and deceit upon a person,

in violation of Title 15, United States Code, Sections 78j(b) and 78ff(a), and Rule 10b-5, 17 C.F.R. §240.10b-5.

21. As part of the second object of the conspiracy (that is, making false and misleading statements to auditors), defendants TOLL and EDMONDSON and Fisher, and others known and unknown to the Grand Jury, unlawfully, willfully, and knowingly, directly and indirectly

(a) made and caused to be made materially false and misleading statements; and

(b) omitted to state, and caused others to omit to state, material facts necessary in order to make those statements not misleading, in light of the circumstances under which such statements were made,

to accountants in connection with (1) audits and examinations required by law to be made of the financial statements of Regal, an issuer registered pursuant to Section 12 of the Securities Exchange Act of 1934; and (2) the preparation and filing of documents and reports required to be filed with the SEC pursuant to rules and regulations enacted by the SEC, in violation of Title 15, United States Code, Sections 78m(b)(2) and (5), and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-2.

MANNER AND MEANS OF ACCOMPLISHING THE CONSPIRACY

It was a part of the conspiracy and scheme that:

The Overall Scheme to Falsify Regal's Financial Records

22. Starting in 1991, defendants TOLL and EDMONDSON, and others at their direction, caused Regal to recognize revenue from its subsidiaries Regalfone and Regal Group for sales that never occurred and services that were never provided.

23. Defendants TOLL and EDMONDSON and Fisher falsified, and caused others to falsify, Regal's financial records and arranged for the publication of false and

misleading information concerning Regal's financial condition to make Regal appear more substantial and profitable than it really was. This was done:

- a. to permit defendants TOLL and EDMONDSON and Fisher to defraud the investing public when Regal engaged in several securities transactions, including a private placement offering, a \$35 million debenture offering and the acquisition of two high-profile companies in exchange for Regal stock, and when Regal's stock was sold on the open market and Regal warrants were exercised;
- b. to hide the diversion of funds and free stock worth millions of dollars from Regal to defendants TOLL and EDMONDSON and to entities they controlled; and
- c. to artificially inflate the price of Regal stock, thereby permitting TOLL and EDMONDSON, who owned substantial shares of Regal stock, to benefit.

FISCAL YEAR 1992

False Regalfone Revenue and Receivables in Fiscal Year 1992

24. At the direction of defendants TOLL and EDMONDSON, Regalfone's accounting staff recorded into Regalfone's general ledger fake 900 line business revenue and the associated account receivables to falsely inflate Regalfone's revenue by millions of dollars in fiscal year 1992.

25. In order to make the fake receivables appear genuine and collectable, defendants TOLL and EDMONDSON paid down part of the fake Regalfone receivables with Regalfone's own money. Defendants TOLL and EDMONDSON did this by circulating monies through several companies they controlled -- including TEL, Gateway and Clark -- in order to disguise the origin of the monies.

a. The TEL/MCI Circulations of Regal Money

26. At defendant EDMONDSON's direction, Regalfone's accounting staff booked bogus account receivables for \$760,000 in revenue, supposedly owed Regalfone by MCI, a long distance carrier, when in truth and fact no such revenue had been earned by Regalfone.

27. To make the bogus MCI receivable appear genuine and collectable, defendants TOLL and EDMONDSON caused the receivable to be paid in its entirety by funneling Regalfone's money to TEL and Gateway -- companies owned and controlled by TOLL and EDMONDSON -- and back to Regalfone by check, and by causing Regalfone's accounting staff to book the receipt of this money on Regalfone's books and financial statements as MCI revenue.

28. Defendants TOLL and EDMONDSON misled Regalfone's accounting staff into treating the receipt of the money as MCI revenue by writing, and directing their staff to write, misleading notations on the Regalfone deposit slips to falsely indicate that the payments came from MCI.

29. Defendants TOLL and EDMONDSON caused Regalfone's accounting staff to treat the payments by Regalfone to TEL as the purchase of telecommunications equipment on Regalfone's books, even though no equipment was purchased. This allowed Regalfone on its books to recognize as an asset telecommunications equipment it had never purchased and never owned. By seeming to swap one asset -- cash -- for another -- telecommunications equipment -- defendants TOLL and EDMONDSON made it appear that the value of Regal was unchanged, when, in truth and fact, the value had been reduced by \$760,000.

30. To hide the true purpose of the payments by Regalfone to TEL, and to prove that Regalfone had purchased the telecommunications equipment, defendants TOLL and EDMONDSON wrote and caused others to write on the Regalfone checks to TEL misleading notations, such as "deposit on equipment" or "equipment."

31. For the same reasons, defendants TOLL and EDMONDSON created and caused others to create fake invoices from "TEL Telephone Equipment Leasing, Inc., a division of Unicorn Capital Corporation" with an address of 82 Wall Street, Suite 1105, New York, New York 10005. In truth and fact, this address was only a private mailbox account opened by defendant EDMONDSON and paid for by defendants TOLL and EDMONDSON with Regalfone's checks.

b. The Fake "Info" Receivable

32. After Regal's fiscal year 1992 had closed, defendant EDMONDSON caused Regalfone's accounting staff to book a receivable for \$2,252,325 attributable

to “Info” for revenue earned from July to September, 1992, when, in truth and fact, Regalfone earned no such revenue from Info.

33. To ensure that the receivable would be included in Regal’s financial statements for fiscal year 1992, defendant EDMONDSON provided Regal’s auditors with a worksheet reflecting the \$2,252,325 “Info” receivable and showing how it had accrued on a monthly basis.

34. To make the bogus “Info” receivable appear genuine and collectable, defendants TOLL and EDMONDSON caused the receivable to be paid down by funneling Regalfone’s money through Clark -- an advertising agency secretly controlled by TOLL and EDMONDSON -- back to Regalfone by check, and causing Regalfone’s accounting staff to book the receipt of this money from Clark on Regalfone’s books as “Info” revenue.

35. Defendant EDMONDSON masked the true purpose of the payments from Regalfone to Clark by instructing Regalfone’s accounting staff to book these payments as “media expenses.”

36. Defendants TOLL and EDMONDSON misled Regalfone’s accounting staff into treating the receipt of this circulated money as revenue from “Info” by writing and causing others to write misleading notations on the Regalfone deposit slips to falsely indicate that the deposits were payments related to the “Info” receivable.

False Regal Group Revenues and Receivables for Fiscal Year 1992

37. In fiscal year 1992, defendants TOLL and EDMONDSON inflated by more than \$5 million the receivables and revenue of Regal Group, Regal's infomercial subsidiary, by two false and fraudulent transactions.

a. The Uprise Transaction

38. Defendant EDMONDSON caused Regal Group's accounting staff to record a sale of travel irons (called sisson irons) to an entity called Uprise Sales in June, 1992 for \$3.1 million and to record an account receivable in that amount on Regal Group's books and financial statements, when in truth and fact, no such sale occurred.

39. As support for the entry of the Uprise receivable, defendant EDMONDSON caused to be sent to Regal Groups's accounting staff a fake bill of lading, a mock up invoice and a false journal entry.

40. To make the bogus Uprise receivable appear genuine and collectable, TOLL and EDMONDSON sent and caused others to send to E&Y, Regal's auditors, a fake written confirmation from an entity called "Uprise Sales, Inc.," which bore a forged signature and purported to verify the authenticity of the Uprise receivable.

41. For the same reason, defendants TOLL and EDMONDSON caused the Uprise receivable to be paid down by two treasurer's checks purportedly from Uprise Sales -- one for \$1.3 million dated November 18, 1992, and one for \$1.5 million dated December 1, 1992 -- when, in truth and fact, those checks were funded with

monies from a bank account in the name of Gateway, which account was controlled by defendant TOLL. The funds in the Gateway account were from defendants TOLL and EDMONDSON, some of which they had obtained by selling Regal stock that they, with the assistance of Fisher, caused to be issued without payment to Regal.

42. Defendants TOLL and EDMONDSON caused Regal to maintain in its files the treasurer's checks described in paragraph 41 above.

b. The Inphomation Royalty Receivable

43. Defendant EDMONDSON caused Regal Group's accounting staff to record for fiscal year 1992 a receivable in the amount of \$2,200,232 for a royalty allegedly owed to Regal Group by Inphomation (an infomercial company later acquired on September 30, 1993 by Regal), when in truth and fact, no royalty obligation existed.

44. As support for the fake Inphomation receivable, defendant TOLL signed, and defendant EDMONDSON sent to Regal Group's accounting staff, a fake contract between Inphomation and Regal Group.

45. Defendant EDMONDSON also sent to Regal Group's accounting staff fake AT&T statements and a fake invoice reflecting the royalty amount, among other documents, as further support for the fake Inphomation receivable.

46. Defendant EDMONDSON falsely told Regal Group's accounting manager that he had received from Inphomation the contract between Inphomation

and Regal Group (which contained the fake royalty provision) and the AT&T statements (which also were fake).

47. To make the fake Inphomation receivable appear genuine and collectable, defendant EDMONDSON informed and caused others to inform Regal's auditors that Regal had received a partial pay down of that receivable in the amount of \$1.5 million.

FISCAL YEAR 1993

False Regalfone Revenues and Receivables for Fiscal Year 1993

The Clark Circulations

48. At defendant EDMONDSON's direction, Regalfone's accounting staff booked bogus revenue and account receivables for AT&T (Regalfone's long distance carrier) and National (referring to National Audiotex, a company secretly controlled by TOLL and EDMONDSON), when no such revenue or receivables existed, and by doing so falsely inflated Regalfone's gross revenue by approximately \$16 million in fiscal year 1993.

49. To make the receivables appear genuine and collectable, defendants TOLL and EDMONDSON caused the receivables to be paid down by funneling more than \$16 million of Regalfone's money through Clark -- an advertising agency secretly controlled by TOLL and EDMONDSON -- back to Regalfone by check and then causing Regalfone's accounting staff to book the receipt of this money on Regalfone's books and financial statements as revenue from AT&T and National.

50. Defendant EDMONDSON masked the true purpose of the payments from Regalfone to Clark by instructing Regalfone's accounting staff to book these payments as "media expenses."

51. Defendants TOLL and EDMONDSON misled Regalfone's accounting staff into treating the receipt of the money from Clark by Regalfone as revenue from AT&T and National by writing and causing others to write misleading notations on the Regalfone deposit slips to falsely indicate that payments came from AT&T and National. The notations on the deposit slips and the amounts of the deposits matched information in Regalfone's general ledger, which falsely listed revenues and related receivables from AT&T and National.

52. To substantiate the bogus National revenue and receivables and to prove that payments to Regalfone came from National, rather than from circular transactions involving Clark, defendant EDMONDSON gave auditors from Coopers & Lybrand checks made payable to Regalfone and drawn on the account of National Audiotex, which checks bore a forged signature and were never cashed. These checks were in amounts which corresponded to the fake "National" receivables and revenue booked in Regalfone's general ledger.

53. To further substantiate the bogus National revenue and receivables, defendants TOLL and EDMONDSON caused Regalfone to maintain in its files a fake contract between National and Regalfone which falsely provided that National

would receive telephone company revenue on behalf of Regalfone, transmit 50% to Regalfone, and forward telephone company statements to Regalfone.

54. For this same reason, defendant EDMONDSON gave auditors from Coopers & Lybrand fake National "900 settlement reports" referring to purported AT&T payments to National and which were in amounts which corresponded to the fake "National" receivables and revenue.

55. For this same reason, EDMONDSON gave auditors from Coopers & Lybrand a binder marked "Regalfone Revenue 1993," which contained bogus AT&T account statements listing amounts purportedly due from AT&T and National to Regalfone for revenue purportedly earned by Regalfone's 900 line business. These statements were not generated by AT&T, did not refer to real account numbers that Regalfone had with AT&T, and did not accurately reflect monies owed by AT&T and National to Regalfone.

56. For this same reason, defendants TOLL and EDMONDSON did not disclose to Coopers & Lybrand that EDMONDSON owned, and TOLL and EDMONDSON controlled, National Audiotex.

57. In an attempt to conceal the defendants' control and ownership of Clark and to conceal the circulation of millions of dollars between Regalfone and Clark, defendant EDMONDSON caused an individual known to the Grand Jury and identified here as J.S. to falsely report to Dunn & Bradstreet (a corporate history reference service) that he (J.S.) had purchased Clark Advertising in October, 1992.

58. For the same reasons, defendants TOLL and EDMONDSON and Fisher misrepresented to Coopers & Lybrand the relationship of Clark to Regal, by falsely representing and causing others to represent that Clark was sold to an “independent group of investors” in October, 1992, when in truth and fact, defendants TOLL and EDMONDSON continued to own and control Clark after October, 1992.

59. For the same reasons, in December of 1993 defendant TOLL directed Fisher to prepare a fake agreement of sale for Clark, among other documents, to make it falsely appear that Clark had been sold for \$1 million in October, 1992, when in truth and fact, Clark was not sold for \$1 million in October, 1992.

60. For the same reasons, defendants TOLL and EDMONDSON had an employee of Clark misrepresent to Coopers & Lybrand that Clark was a service bureau which did business with Regalfone and paid to it revenue received from long distance carriers, when, in truth and fact, Clark was not a service bureau and Clark never received revenue from long distance carriers.

**Use of Misleading Information to Record False
Information Into Regal's General Ledger**

61. Defendants TOLL and EDMONDSON caused Regal's accounting staff to record the false account receivables and false revenue described above into Regal's general ledger and associated journals for fiscal years 1992 and 1993.

62. Defendants TOLL and EDMONDSON caused Regal's accounting staff to use the false supporting documents described above to confirm the accuracy of information previously recorded in Regal's general ledger and associated journals.

False And Misleading SEC Public Filings

63. Defendants TOLL and EDMONDSON caused Regal's false and misleading financial statements to be included and incorporated by reference into the reports and registration statements that Regal filed with the SEC in 1992 and 1993 and were relied upon by the investing public.

64. Defendants TOLL and EDMONDSON caused Regal's SEC public filings to materially misstate Regal's financial condition in order to make it appear more substantial and more profitable than it was.

65. Defendants TOLL and EDMONDSON and Fisher caused Regal's public filings with the SEC to fail to disclose the fraudulent transactions involving Regal.

66. Defendants TOLL and EDMONDSON and Fisher caused Regal's SEC public filings to misrepresent the relationship of TOLL, EDMONDSON and Regal with Clark.

67. Defendants TOLL and EDMONDSON failed to disclose in Regal's SEC public filings that EDMONDSON owned, and TOLL and EDMONDSON controlled, National Audiotex.

68. Defendants TOLL and EDMONDSON failed to disclose in Regal's SEC public filings that they owned and controlled TEL.

False and Misleading Information to Auditors

69. Defendant EDMONDSON provided, and directed his staff to provide, false and misleading information to E&Y, the accounting firm engaged to audit

Regal's financial records for fiscal year 1992 and to perform other duties during fiscal year 1993 in connection with Regal's acquisitions and \$35 million dollar debenture offering. The false information included, among other things, internal accounting records, unaudited financial statements, accounting lead sheets, deposit slips and bank statements, all of which reflected false and misleading information concerning Regal's receivables, revenue, assets and expenses.

70. From on or about December 15, 1992 through on or about June 18, 1993, defendants TOLL and EDMONDSON provided to E&Y eleven "comfort letters," signed by them, containing numerous false assurances about Regal's financial condition and about the information that defendants TOLL and EDMONDSON provided and caused others to provide to E&Y. These letters contained and reaffirmed numerous false statements, including the following:

- a. "There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements;"
- b. "Receivables represent valid claims against the debtors indicated;" and
- c. "There have been no irregularities involving management or employees who have significant roles in the internal control structure. There have been no irregularities involving other employees that could have a material effect on the financial statements. There are no instances where any officer or employee of the company has an interest in a company with which the company does business that would be

considered a 'conflict of interest.' Such an interest would be contrary to Company policy."

71. Defendants TOLL and EDMONDSON used the comfort letters to deceive E&Y into providing a "clean" audit opinion on Regal's financial statements for fiscal year 1992. The E&Y opinion, dated December 15, 1992, was included in Regal's 1992 Form 10-K and in registration statements and amendments filed during the first six months of 1993.

72. Defendant EDMONDSON provided and directed Regal's accounting staff to provide false and misleading information to Coopers & Lybrand, the accounting firm engaged to audit Regal's financial records for fiscal year 1993. The false information included, among other things, internal accounting records, unaudited financial statements, accounting lead sheets, deposit slips and bank statements, all of which reflected false and misleading information concerning Regal's receivables, revenue and expenses.

73. Defendants TOLL and EDMONDSON never advised E&Y of the fraudulent transactions involving Regal's stock, receivables, revenue, assets and expenses.

74. Defendants TOLL and EDMONDSON never advised E&Y that they owned TEL, and that EDMONDSON owned, and TOLL and EDMONDSON controlled, National Audiotex.

75. Defendants TOLL and EDMONDSON and Fisher never advised Coopers & Lybrand of the fraudulent transactions involving Regal's stock, receivables, revenue, assets and expenses.

76. Defendants TOLL and EDMONDSON and Fisher never advised Coopers & Lybrand that TOLL and EDMONDSON owned and controlled Clark after October, 1992,

77. Defendants TOLL and EDMONDSON never advised Coopers & Lybrand that EDMONDSON owned, and EDMONDSON and TOLL controlled, National Audiotex.

Ill-Gotten Gains to Defendants

78. Defendants TOLL and EDMONDSON, who each owned substantial shares of Regal stock, benefitted and attempted to benefit from the falsification of Regal's financial records through the artificial inflation of the value of Regal stock.

79. With the assistance of Fisher, defendants TOLL and EDMONDSON, individually and through Gateway, obtained shares of Regal common stock, and warrants to purchase shares of stock at a discount price, without paying Regal for them. Defendants TOLL and EDMONDSON, directly and through Gateway, received free stock and warrants worth millions of dollars.

80. Defendants TOLL and EDMONDSON, with the assistance of Fisher, caused Regal stock to be issued at a discount price to another individual so that the defendants could conceal that they had not paid for Regal stock they received.

81. Defendants TOLL and EDMONDSON caused funds to be circulated from Regalfone to Clark and back again to Regalfone in order to conceal that they had not paid for Regal stock they had received.

False Press Releases

82. Defendants TOLL and EDMONDSON caused false press releases to be issued which materially misstated and misrepresented Regal's financial condition in order to make it appear more substantial and more profitable than it was.

83. Defendants TOLL and EDMONDSON caused Regal to issue a press release in December, 1993 which falsely described the cause of Regal's fiscal year 1993 losses to be "the collectability of a major Regalfone vendor account receivable and the realization of related assets arising out of the 900 line business," when, in truth and fact, the cause of the losses was related to the Clark circulation of Regalfone's own monies used to artificially inflate Regalfone's revenues.

84. Defendant TOLL held a telephone conference call with investors and brokers in January, 1994 and misled them concerning the cause of the financial problems at Regal.

OVERT ACTS

In furtherance of the conspiracy and to effect its unlawful objects, the following overt acts, among others, were committed in the Eastern District of Pennsylvania and elsewhere:

1. On or about December 17, 1993, defendant EDMONDSON met with accountants from Coopers & Lybrand regarding open audit issues and told the accountants that bank statements of Clark may not be available for him to give to them for their review.

2. On or about December 17, 1993, defendant EDMONDSON went into the room used by the outside accountants at Regal headquarters and searched the desk and files in the room.

3. On or about December 20, 1993, defendant EDMONDSON gave to an accountant from Coopers & Lybrand various documents, including National Audiotex 900 Settlement Reports (statements of activity) and photocopies of certain checks from National Audiotex to Regalfone.

4. On or about December 20, 1993, defendant EDMONDSON caused his staff to give to accountants from Coopers & Lybrand Regalfone deposit slips purportedly relating to payments by National to Regalfone.

5. On or about December 20, 1993, defendant EDMONDSON told accountants from Coopers & Lybrand that he would be unable to provide them with the Clark bank statements previously requested by the accountants.

6. On or about December 20, 1993, defendant EDMONDSON told an accountant from Coopers & Lybrand that he (EDMONDSON) had been "scammed" by Clark Advertising.

7. On or about December 21, 1993, defendant EDMONDSON met with accountants from Coopers & Lybrand and told them that Regalfone's 900 lines with AT&T were transferred to Clark so that AT&T remitted revenue to Clark, and Clark then in turn remitted funds to Regalfone.

8. On or about December 21, 1993, defendant TOLL in a telephone conversation from Puerto Rico directed Fisher in Fort Washington, Pennsylvania to prepare a new set of documents to reflect that Clark was sold in October, 1992 for \$1 million.

9. On or about December 21, 1993, Fisher, at the direction of defendant ARTHUR TOLL, prepared a fake agreement of sale and supporting documents to reflect that Clark was sold in October, 1992 for \$1 million.

10. On or about December 21, 1993, defendant TOLL in a telephone conversation from Puerto Rico directed Fisher to ask the accountants at Coopers & Lybrand whether their audit could be completed if certain Regalfone receivables were written off.

11. On or about December 21, 1993, Fisher, at the direction of defendant ARTHUR TOLL, met with accountants from Coopers & Lybrand and asked them what would happen if receivables for Regalfone were "bullshit" and were just "written off."

12. On or about December 21, 1993, Fisher, at the direction of defendant ARTHUR TOLL, met with accountants from Coopers & Lybrand and told them that Clark had been sold to a group of investors for \$1 million in 1992.

13. In or about late December, 1993, Fisher telephoned at his home an individual known to the Grand Jury and identified here as S. A. to advise S.A. not to speak to anyone concerning his relationship with Clark.

14. On or about December 29, 1993, defendants TOLL and EDMONDSON and Fisher caused a press release to be issued on behalf of Regal.

15. In or about January, 1994, defendant EDMONDSON spoke to J.S. concerning J.S.'s scheduled meeting with Coopers & Lybrand.

16. In or about January, 1994, defendant TOLL wrote a note to J.S. concerning J.S.'s scheduled meeting with Coopers & Lybrand.

17. In or about January, 1994, defendant TOLL, Fisher and J.S. met with accountants from Coopers & Lybrand at the Clark offices in Fort Washington, Pennsylvania to represent Clark as an independent and unrelated entity which functioned as a service bureau for Regalfone.

18. On or about January 10, 1994, Fisher caused to be sent to S.A. a letter enclosing, among other things, a back-dated Stock Purchase Agreement and a back-dated Pledge Agreement reflecting a sale price of \$1 million for Clark.

19. On or about January 10, 1994, defendant TOLL participated in a Regal Communications conference telephone call with Regal investors and brokers in which he did not disclose to them the true cause of the financial losses for Regal.

20. On or about February 25, 1994, Fisher directed his paralegal to send S.A. for his signature a corporate record, entitled "Unanimous Written Consent for the Sole Shareholder of Clark Advertising, Inc." purporting to elect J.S. as sole director of Clark Advertising, Inc. effective October, 1992.

21. On or about March 9, 1994, Fisher directed his paralegal to send J.S. for his signature a corporate record, entitled "Unanimous Written Consent for the Sole Shareholder of Clark Advertising, Inc." purporting to elect J.S. to the office of President and Secretary of the Corporation of Clark Advertising, Inc. effective October, 1992.

All in violation of Title 18, United States Code, Section 371.

COUNT TWO
(Securities Fraud - 15 U.S.C. § 78j(b), 78ff(a))

The Grand Jury further charge that:

1. Paragraphs 1 through 18 and paragraphs 22 through 84 of Count One of this indictment are realleged as if fully stated here.

2. From in or about 1991 to on or about April 19, 1994, in the Eastern District of Pennsylvania and elsewhere, defendants

ARTHUR TOLL, and
BRUCE EDMONDSON

unlawfully, willfully, and knowingly, directly and indirectly, by the use of the means and instrumentalities of interstate commerce, the mails, and the facilities of national securities exchanges, used and employed in connection with purchases and sales of securities, manipulative and deceptive devices and contrivances in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud, (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made not misleading, in light of the circumstances under which they were made, and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon other persons.

All in violation of Title 15, United States Code, Sections 78j(b), 78ff(a); Title 17, Code of Federal Regulations, Sections 240.10b-5; Title 18, United States Code, Section 2.

COUNT THREE

(False Statements to Auditors - 15 U.S.C. § 78m(b)(2) and (5), 78ff(a))

The Grand Jury further charge that:

1. Paragraphs 1 through 18 and paragraphs 22 through 84 of Count One of this indictment are realleged as if fully stated here.

2. From in or about 1991 to on or about January 10, 1994, in the Eastern District of Pennsylvania and elsewhere, defendants

ARTHUR TOLL, and
BRUCE EDMONDSON

unlawfully, willfully, and knowingly, directly and indirectly, (a) made and caused to be made materially false and misleading statements; and (b) omitted to state, and caused others to omit to state, material facts necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading to accountants in connection with (1) audits and examinations of the financial statements of Regal Communications Corporation, an issuer registered pursuant to Section 12 of the Securities Exchange Act of 1934 required by law to be made; and (2) the preparation and filing of documents and reports required to be filed with the SEC pursuant to rules and regulations enacted by the SEC.

All in violation of Title 15, United States Code, Sections 78m(b)(2) and (5), 78ff(a); Title 17, Code of Federal Regulations, Sections 240.13b2-2; Title 18 United States Code, Section 2.

COUNTS FOUR THROUGH SEVEN
(Mail Fraud - 18 U.S.C. § 1341 and 2)

1. Paragraphs 1 through 18 and paragraphs 22 through 84 of Count One of this indictment are realleged as if fully stated here.

2. From in or about 1991 through in or about April, 1994, in the Eastern District of Pennsylvania and elsewhere, defendants

ARTHUR TOLL, and
BRUCE EDMONDSON

and others known and unknown to the Grand Jury, devised and intended to devise a scheme and artifice to defraud and to obtain money and property by false and fraudulent pretenses, representations and promises regarding the financial condition of Regal.

3. On or about each of the dates set forth below for each count, in the Eastern District of Pennsylvania and elsewhere, for the purpose of executing this scheme and artifice, and attempting to do so, and aiding and abetting its execution, the defendants

ARTHUR TOLL, and
BRUCE EDMONDSON

placed and caused to be placed in an authorized depository for mail matter the documents and matter described below to be sent and delivered by the United States Postal Service, each placement constituting a separate count of this indictment:

COUNT	DATE	MATTER MAILED
4	January 7, 1994	Check No. 5934 in the amount of \$29,046.00 mailed from Joseph A. Ziple, c/o Roslyn Supply Company in Roslyn, Pennsylvania 19001 to R. W. Baird & Company in Tampa, Florida 33602 as payment for shares of Regal Communications Corporation stock.
5	January 10, 1994	A letter from Elliot S. Fisher enclosing a stock purchase agreement between Arthur L. Toll and Bruce Edmondson as sellers and Steven Atlash Holding Groups, Inc. as buyers, which was mailed from Fort Washington, Pa. 19034 to Steven B. Atlash at 271 Grays Lane in Haverford, Pennsylvania 19041.
6	January 12, 1994	Check no. 5944 in the amount of \$29,514.50 mailed from Joseph A. Ziple, c/o Roslyn Supply Company in Roslyn, Pennsylvania 19001 to R. W. Baird & Company in Tampa, Florida 33602 as payment for shares of Regal Communications Corporation stock.
7	March 26, 1994	Check no. 2110 in the amount of \$9,987.50 mailed from Donald M. and Carol Ann Gleklen, 212 Jeffrey Lane, Newtown Square, Pennsylvania, 19073 to Alex Brown & Sons, Inc., Baltimore, Maryland, as payment for shares of Regal Communications Corporation stock.

All in violation of Title 18, United States Code, Sections 1341 and 2.

COUNTS EIGHT THROUGH TWELVE
(Wire Fraud - 18 U.S.C. § 1343 and 2)

1. Paragraph 1 of Count Four of this indictment is realleged as if fully stated here.

2. From in or about 1991 through in or about April, 1994, in the Eastern District of Pennsylvania and elsewhere, defendants

ARTHUR TOLL, and
BRUCE EDMONDSON

and others known and unknown to the Grand Jury, devised and intended to devise a scheme and artifice to defraud and to obtain money and property by false and fraudulent pretenses, representations and promises regarding the financial condition of Regal.

3. On or about each of the dates set forth below for each count, in the Eastern District of Pennsylvania, and elsewhere, for the purpose of executing this scheme and artifice, and aiding and abetting its execution, the defendants

ARTHUR TOLL, and
BRUCE EDMONDSON

transmitted and caused to be transmitted by means of wire communication in interstate commerce the writings, signs, and signals described below for each count, each transmission constituting a separate count of this indictment:

COUNT	DATE	MATTER WIRED
8	December 15, 1993	Letter sent by facsimile transmission from Elliot Fisher in Fort Washington, Pennsylvania to William Levy in Vorhees, New Jersey instructing Mr. Levy to have the transfer agent issue a certificate relative to an exercise of warrants by Stanley Becker.
9	December 29, 1993	A press release sent by facsimile transmission from Business Wire in New York City to Sanders Newman in the Eastern District of Pennsylvania, which announced that the completion of Regal's fiscal 1993 audit would be temporarily delayed due, in part, to "issues relating to the collectability of a major Regalfone vendor account receivable and the realization of related assets arising out of the 900 line business."
10	January 5, 1994	A facsimile cover sheet and attached press release dated December 29, 1993 from Regal Communications Corporation in Fort Washington, Pennsylvania to Bill Levy in New Jersey, which cover sheet requested assistance in preparing a 8K to be filed with the SEC to reflect the information contained in the press release.
11	January 6, 1994	A facsimile transmittal sheet concerning an invitation to participate in a conference call with Mr. Arthur Toll, Chairman of Regal Communications Corporation, on January 10, 1994 sent by facsimile transmission from Lippert/Heilshorn & Associates, Inc. in New York City to Sanders Newman in the Eastern District of Pennsylvania.

COUNT	DATE	MATTER WIRED
12	January 10, 1994	A telephone conference call from Arthur Toll at Regal Communications Corporation in Fort Washington, Pennsylvania to Lippert/Heilshorn & Associates in New York City.

All in violation of Title 18, United States Code, Sections 1343 and 2.

A TRUE BILL:

FOREPERSON

MICHAEL R. STILES
United States Attorney